

SECTOR REPORT



The Agro-food sector in the Region of Murcia - SPAIN 2014

INSTITUTO DE FOMENTO de la REGION DE MURCIA



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1. OVERVIEW

The agrofood sector in Murcia, one of the main pillars of regional economic growth, accounts for 32.5% of job generation (nearly 20,000 people out of a total of 61,648) and 28.3% of production, for a value of €5.13 billion (total industrial production is over €18.135 billion). This is certainly a competitive, export-based sector.

Consumption of intermediate goods amounts to €4.2 billion, whereas the total number of companies is 1,062. The largest turnover is generated by the subsector of miscellaneous food products with nearly €2.2 billion, followed by the subsectors of canned fruits and vegetables and meat.

According to data from the Ministry of Agriculture, the Region of Murcia contributes 5.4% of food industry sales, 4.8% of primary material consumption, 5.7% of all employed people and 4.9% of material asset investments in Spain.

That means the Region of Murcia is 4th in the Spanish ranking of beverages and agricultural product export figures, producing more than 10% of the total value of national exports.

At a national level, Murcia leads the contribution to the net sale of food industry products, with the regions of Catalonia, Andalusia, Valencia, Castile-Leon, Galicia, and Castile-La Mancha, with almost 75% of the industry's total. However, an analysis of specific regional specialization levels -in terms of food industry contribution to the relative industrial significance in turnover and employment of each region-, places Murcia amongst the most specialized Spanish regions in the foodstuffs, beverages and tobacco industry.

The sector has also encouraged the creation of a wide range of ancillary leading and innovative industries, including agricultural technology, greenhouses, agricultural machinery, packing and packaging, etc.

EVOLUTION NUMBER OF FOOD INDUSTRY COMPANIES (REGION OF MURCIA vs. SPAIN)

	Region of Murcia Total			Spain Total		
	2013	2012	2011	2013	2012	2011
101 Meat processing and preservation and manufacture of meat	116	119	127	4,057	4,131	4,198
102 Fish, mollusks and crustaceans processing and preservation	21	23	24	673	695	705
103 Fruit and vegetable treatment and preservation	168	166	163	1,340	1,350	1,329
104 Production of animal and vegetable oils and fats	35	34	35	1,605	1,604	1,598
105 Manufacture of dairy products	40	40	40	1,556	1,563	1,574
106 Manufacture of grain mill, starches and starch products	15	17	19	524	572	590
107 Manufacture of bakery products and pasta	390	394	393	10,549	10,700	10,842
108 Manufacture of other food products	146	146	136	2,647	2,697	2,668
109 Manufacture of animal feed products	33	35	31	833	859	854
110 Manufacture of beverages	98	100	100	4,978	5,025	4,976
TOTAL	1,062	1,074	1,068	28,762	29,196	29,334

Source: Spain's National Institute of Statistics (INE).

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FRUIT AND VEGETABLE PRODUCTION

The Region of Murcia has 1,131,398 hectares of usable agricultural land, according to 2012 data from the Ministry of Agriculture.

The surface of fruit and vegetable irrigation land in the Region of Murcia is 174,399 hectares, accounting for 4.95% of Spain's total. The area devoted to fruit production exceeds 175,000 hectares, meaning the Region of Murcia is amongst the main cultivation areas for citrus fruits and stone-fruits, mostly lemons, apricots and peaches. In recent years, some lots of land have been dedicated to the production of dessert grapes. With regards to dry-land ligneous crops, the main one is almonds, a typical inland product. On the contrary, coastal areas specialize in horticulture. This contrast in crop cultivation between inland and coastal areas shows the dual nature of the Region's agriculture.

In 2012 Murcia had 6,889 hectares of highly technified greenhouses.

Regional production of fruits and vegetables nears 3 million tonnes, with the main crops being vegetables (1,504,000 mT), citrus fruits (631,500 mT) and fruits, dessert grapes included (502,150 mT). Most of the production is targeted towards the international fresh market.

Depending on the season, these fresh products result in a turnover of some €2.6 billion per year.

FRUIT & VEGETABLE PRODUCTION DATA IN THE MURCIA REGION (Tonnes)

	2009	2010	2011	2012	%2011/201
TOTAL PRODUCTION	2,956,754	2,947,146	2,985,222	2,892,386	-3.11

Source: Regional Ministry of Agriculture and Water

The Region of Murcia, internationally renowned for the quality of its fruits and vegetables, has unique ecological, climatic and environmental conditions for farming, both intensive (high-yield) and extensive. In addition, the people of Murcia have gained vast knowledge and expertise in farming practices over the centuries.

The range of fresh produce offered by Murcia is very wide, with the main products being as follows:

- Fruits: A large variety of apricots, peaches, nectarines, cherries, plums, pears, apples, strawberries, pomegranates, figs, medlars, etc.
- Dessert grapes: seeded and seedless.
- Melon and watermelons: different types of each.
- Citrus fruits: lemons – used in many processed products and star product of a key regional sector – oranges, tangerines and grapefruits.
- Vegetables: different varieties of lettuces, broccolis, cauliflowers, artichokes,

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peppers, celeries, onions, cabbages, eggplants (aubergines), zucchinis (courgettes), asparagus, escaroles, etc.

- Tomato: different types are produced pretty much every single month of the year.
- Nuts: mainly almonds.

Other key products are: wine grapes, rice, olives (used mainly for oil production and pickles), ball peppers for paprika and honey. There are other important fresh farming products with lower production volumes, such as cotton and cereals, as well as a few logging facilities specializing mostly in pine trees.

MAIN REGIONAL EXPORTS IN 2013

Product	Tonnes	% over worldwide total	% over EU total	% over Spain total
Apricot	11,792	4%	9%	37%
Artichoke	4,254	12%	16%	34%
Cauliflower and broccoli	192,727	17%	30%	66%
Lettuce and chicory	483,004	27%	44%	72%
Melons	172,252	8%	30%	46%
Grapes	76,386	2%	7%	54%
Lemons and limes	307,503	12%	42%	64%

Source: Regional Ministry of Agriculture and Water.

In line with the latest consumer trends, a small but increasing percentage of production complies with organic farming standards, under strict control and monitoring by the Organic Farming Board. This advisory body, reporting to the regional government, identifies these products with a back label (www.caermurcia.com).

The organic cultivation area in Murcia is 59,645 hectares, approximately 10% of the region's usable agricultural land, with a surface area increase of 61.44% over the 2008-2011 period (latest data).

Within Spain, Murcia is the region that proportionally devotes more land to organic farming and fourth in terms of production and packaging, after Andalusia, Castile-La Mancha and Extremadura.

In 2011, the organic farming cultivation area stabilized and even had a slight 2.8% decrease. As for the distribution of cultivated organic farming land in our region, the main municipalities are the High Planes (33%), the Northwest (23%) and the *Guadalentín* Valley (21%).

With regards to crops, the main rise was observed in citrus fruits, with dedicated land

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rising from 562 to 718 hectares, a 27.85% increase resulting mostly from the excellent selling prospects of these products in international markets. On the contrary, the biggest fall affected land dedicated to aromatic plants, with a 14% decrease from 489 to 420 hectares due to the abandonment of some cultivation.

The main organic crop in terms of cultivation area is almonds (42% of the total), followed by vineyards (17.4%), cereal, olive groves and the large variety of fruits and vegetables grown in this region. The Region of Murcia has over 2,500 operators and 210 companies specializing in this type of production.

CANNED FRUIT AND VEGETABLES

This Murcian sector had a turnover of €1.865 billion, accounting for nearly 35% of the region's food industry and 8.3% of the GVA at basic prices (Econet). The canning industry employed 7,623 people, according to *CREM* data. Industrial Sector Accounts (2012 data).

The significance of the Murcian canning industry results primarily from the excellent quality of regional farming products and the entrepreneurial nature of the sector's businesspeople. With a tradition of over two centuries, this industry has undergone significant adaptation and concentration over the last decades, causing an increase in business size and competitiveness.

The Murcian canning sector markets a wide range of processed food products well beyond the traditional “vegetable preserve” concept. Some key companies are those specializing in vegetable treatment (vegetables, fruits, or both), including activities such as “manufacture of fruit and vegetable preserves” and “manufacture of juices and nectars” (made from fruits and vegetables). Other important companies specialize in jams, compotes and derivatives, as well as pickles, olives and sauces.

The excellent raw materials and high technology and specialization levels of Murcia, have allowed the Region to establish itself as a leading national exporter, marketing its production primarily in the EU and the USA.

WINEMAKING INDUSTRY

The Region of Murcia has excellent human, soil and climatic conditions for vineyard cultivation and production of quality wine. The regional variety of soils and climates favors the production of a wide range of red, rosé and white wines. In 2012 some 26,700 hectares were used for vineyard cultivation, mainly in the areas of the three regional PDOs: Bullas, Jumilla and Yecla. There are also two PGIs, one in the countryside of Cartagena marketing ‘*Vinos de la Tierra*’ (local wines) and the other in Murcia, with a limited production.

Wine has established itself as a key product for the regional economy, advancing positions in an increasingly competitive and global market. There are a number of

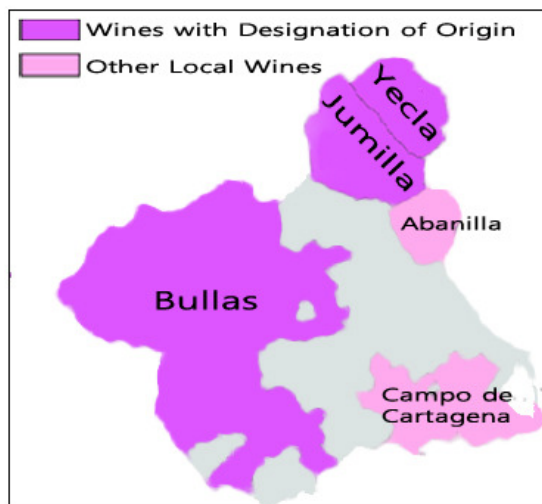
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factors contributing to the revalue of Murcia Region wines over the last few years.

Murcian wines have the typical characteristics of the Monastrell, a grape adapting perfectly to regional environmental conditions and key ingredient in a large range of quality wines, some of which result from blends with other complementary red varieties such as *Garnacha Tintorera*, *Cencibel*, *Cabernet-Sauvignon*, *Merlot* and *Syrah*. White wines are made with the grape varieties *Macabeo*, *Airen*, *Pedro Ximénez* and *Malvasía*.

The Region of Murcia, with almost 90 wineries and a combined yearly turnover of more than €150 million, produces a large range of red, rosé, white and sweet wines.

The region exports a large percentage of its production. In 2013, about 50% of the wine made in the Region of Murcia was marketed internationally, in countries such as Nigeria, the United Kingdom, the USA (where they are increasingly popular), Portugal, Ghana and Japan, among others.



During the 2012-2013 season, national wine production amounted to 30.39 million hectoliters, 662,602.91 of which were made in the Region of Murcia (97.5% red wine and 2.5% white wine). A total of 46.1% of Murcian wines are marketed under PDO.

Winemakers in the three Designation of Origin areas produce excellent wines that have won prizes in blind tastings and in a number of international contests. These Designations are carefully monitored by their respective Regulatory Bodies and

backed by the European Union's PSR sales designation "quality wines produced in a specified region."

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OLIVE OIL

Depending on the season, regional olive oil production amounts to some 6,000 tonnes per year. The olive varieties traditionally cultivated in the Region of Murcia are *Cuquillo*, *Manzanilla*, *Cornicabra* and *Picual*, in addition to others newly introduced, such as *Arbequina*.



Although Murcia only produces 100% virgin olive oil, regional oil mills bottle and market all types of oils. In recent years, the amount of extra-virgin olive oil and virgin olive oil made from organic farming, has increased.

Spain's domestic market is the main purchaser of Murcian olive oil, although regional exports of this product are quickly rising, both for freshly produced oil as well as for bulk oil. In 2013, combined olive oil production resulted

in a €16.95-million turnover, a 120% increase compared to 2012.

Italy imported €14.38 million of Murcian olive oil, 85% of the total, whereas Japan and France have established themselves as markets where the purchase of Murcian virgin olive oil increases steadily.

CONFECTIONERY PRODUCTS. CANDY

Confectionery, especially the subsector of candy production, is a developing industry with some leading Spanish firms that have diversified their portfolios with the aim of gaining an advantage over traditional brands that tend to market a limited number of items. Murcian manufacturers of candy have always been export-oriented, with the main destinations being the United States and the European Union, but also Israel, Canada and Jordan, among an international client roster of nearly one hundred countries.

PAPRIKA AND OTHER SPICES

Another basic Region of Murcia foodstuff is paprika, perhaps the most representative fruit and vegetable product in the national and international markets since the mid-20th century due to its excellent quality.

Since 2001, this product has its own Designation of Origin and a Regulatory Body, ensuring first-class food safety and full paprika traceability. The specific requirements of a certified product limit production, which in 2012 was 2,069 tonnes yielded in nearly 600 hectares of paprika pepper fields. Around 70% of Murcian paprika production is exported.

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A number of paprika-related ancillary industries have developed, mostly in the areas of process technology, favoring the creation of advanced, innovative systems customized to sectoral needs and adapted to multiple food product applications.

Market dynamics, especially internationally, condition the expansion of the product portfolio offered by Murcian paprika producers and traders. Spices and aromatic plants are related products sharing many specific production characteristics of paprika, such as packaging, presentation and distribution and sale channels. Some of these related products are saffron, ground pepper, cinnamon and anisette, among many others.

MEAT INDUSTRY

In Murcia there are about 5,000 livestock facilities, 1,500 of them specializing in pig farming. This regional sector, together with its equivalents in the provinces of Lérida and Huesca, is among the most important in the country. There are 1,529 and 411 facilities specializing in sheep and goat farming in Murcia, respectively, as well as 473 beekeeping farms and 243 cow farms.

This sector is comprised of 85 meat product firms processing over 320,000 tonnes of meat and by-products yearly, for a revenue of almost €1.09 billion in 2012. This industry generates some 4,800 direct jobs, in addition to those created through the supply of cattle, logistical services and auxiliary activities.

The Murcian pig industry is the most important in the regional meat sector, as well as one of the key producers in Spain. The pork processing industry is the bedrock of the sector's industrial development and the core of the regional business structure.

Poultry farming, mostly chicken and some turkey, is the second most important meat subsector, followed by sheep and cow farming.

The business structure of the Murcia Region meat sector is certainly marked by the leadership of “*El Pozo Alimentación*”, a multinational corporation based in Alhama de Murcia that accounts for two thirds of the sector's turnover.

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2. FOREIGN TRADE

Murcian exports of agrofood products were slightly above €3.83 billion in 2013. The importance of Murcia's agrofood sector in terms of foreign trade is reflected in the absolute value of exports from different regional sectors, with agrofood products representing 41.19% of the total. This figure accounts for almost 10.5% of national agrofood exports, placing Murcia as the 4th main exporter of this type of products.

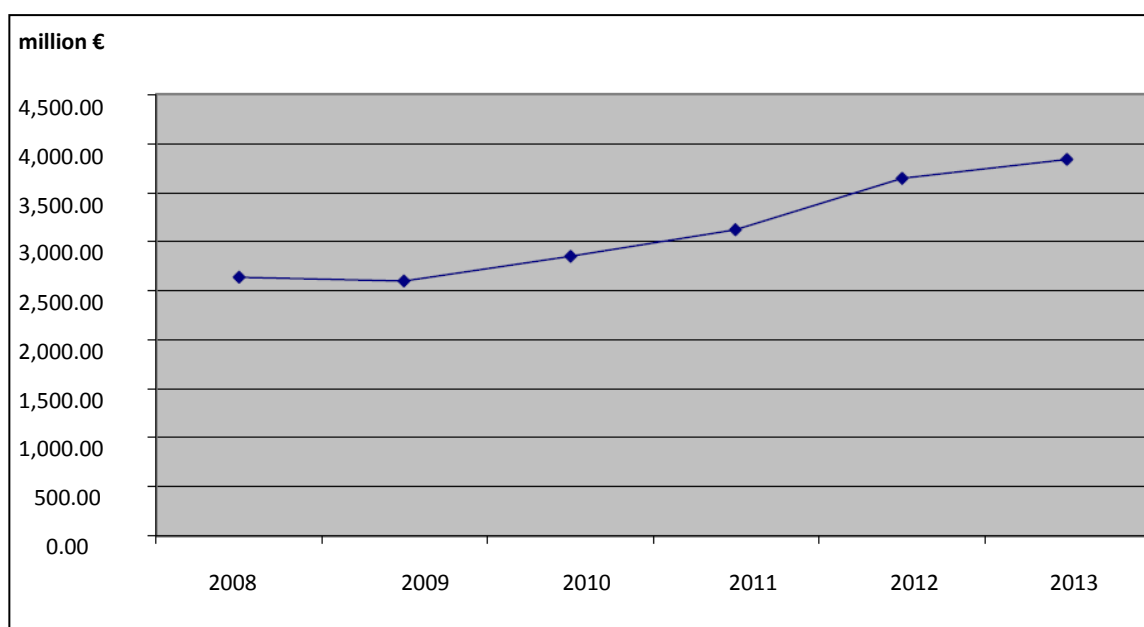
Murcian agrofood exports, which according to data from the Institute of Foreign Trade increased 5.03% in 2013 compared to the previous year, have a trade surplus of nearly €2.4 billion.

In terms of products, Murcia is the second Spanish region in canned fruit and vegetable exports (13.6% of Spain's total), second after Almeria in fresh and frozen fruit and vegetable exports (23.6% of the national total) and second after Valencia in fresh fruits and citrus fruits exports (16.9% of the total).

MURCIA REGION EXPORT TRENDS (AGROFOOD PRODUCTS & BEVERAGES)

TOTAL	2008	2009	2010	2011	2012	2013	%2012/2013
	2,645.04	2,602.63	2,854.01	3,131.15	3,647.37	3,831.00	5.03

Million €
Source: ESTACOM



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The most important products were “fresh fruits and vegetables”, with a €1.024-billion turnover and accounting for 26.7% of all Murcian agrofood exports; the category of “other fresh fruits”, with a market value of €593.2 billion and 15.5% of all Murcian agrofood exports; “citrus fruits”, for a total of €486.6 million and 12.7% of the agrofood total; “juices”, €196.22 million and 5.12% of all sectoral exports; and lastly “vegetable oils and fats”, with a value of €121.15 and 3.16% of all Murcian agrofood exports.

MURCIA REGION EXPORT TRENDS -PER PRODUCT- (AGROFOOD PRODUCTS & BEVERAGES)

Sectors	2011	2012	2013	%2012/2013
10101 -- FRESH AND FROZEN FRUITS AND VEGETABLES	1,674.27	1,953.10	2,200.65	12.67
10105 -- FRUIT AND VEGETABLE PRESERVES	261.94	245.29	229.92	-6.27
20302 -- Juices	228.10	197.61	196.22	-0.71
10801 -- FATS AND OILS	130.63	174.26	138.49	-20.53
10706 -- INGREDIENTS	119.99	134.94	126.50	-6.26
10702 -- CONFECTIONERY	94.60	112.47	118.87	5.69
10401 -- LIVE ANIMALS	44.79	123.01	100.19	-18.55
20202 -- Other alcoholic beverages	61.33	91.11	94.57	3.79
10705 -- MISCELLANEOUS FOOD PREPARATIONS	76.13	66.40	87.16	31.26
10601 -- FRESH AND FROZEN FISH, MOLLUSKS AND CRUSTACEANS	78.42	72.23	81.80	13.24
20101 -- QWPSR (Quality Wines Produced in a Specific Region)	52.99	68.43	79.48	16.14
10501 -- FRESH AND FROZEN MEAT	50.18	77.46	78.70	1.61
10503 -- PROCESSED MEAT PRODUCTS	46.46	49.64	55.94	12.70
20103 -- TABLE WINE	59.82	67.21	53.90	-19.80
20304 -- Other non-alcoholic drinks	21.75	27.17	35.83	31.83
10103 -- NUTS	25.78	31.91	33.07	3.66
10104 -- ANIMAL FEED	38.81	81.36	32.32	-60.27
20104 -- OTHER WINES	16.23	17.82	25.55	43.38
10201 -- LIVE PLANTS AND PRODUCTS OF ORNAMENTAL HORTICULTURE	10.12	14.92	16.09	7.85
10901 -- DAIRY PRODUCTS	9.75	10.18	12.47	22.41
10502 -- HAM AND SHOULDER	12.49	12.84	12.31	-4.08
10602 -- FISH AND SEAFOOD PREPARATIONS AND PRESERVES	6.16	6.51	6.26	-3.79
10703 -- BAKERY, PASTRY AND COOKIES	1.79	3.26	5.96	83.09
10102 -- SEEDS AND OLEAGINOUS FRUITS	1.69	2.47	2.87	16.05
10704 -- FLOUR AND PASTA	1.64	2.08	2.81	35.59
10402 -- OTHER ANIMAL PRODUCTS	4.99	3.48	2.81	-19.17
10301 -- TOBACCO	0.01	0.04	0.18	339.33
20201 -- Brandy	0.21	0.10	0.05	-46.82
20303 -- Grape must	0.01	0.02	0.03	28.28
20301 -- Mineral water	0.07	0.04	0.00	-90.55

Million €

Source: ESTACOM

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The main destinations of Murcian exports are EU countries (78.81%) requiring high standards of guaranteed safety and quality, mainly the United Kingdom (17.47%), Germany (17.1%), France (14.22%), Italy (7.15%) and the Netherlands (6.08%). There have also been significant export increases to other countries, such as Libya, Algeria, Japan and Saudi Arabia.

MURCIA REGION EXPORT TRENDS -PER COUNTRY- (AGROFOOD PRODUCTS & BEVERAGES)

Countries	2011	2012	2013	2013 - # of Companies	%2012/2013	% over total
GB -- United Kingdom	600.06	627.36	669.14	342	6.66	17.47
DE -- Germany	500.84	580.05	657.03	386	13.27	17.15
FR -- France	448.02	486.28	544.74	490	12.02	14.22
IT -- Italy	232.16	251.21	273.91	355	9.04	7.15
NL -- Netherlands	181.26	227.43	233.12	306	2.50	6.08
PT -- Portugal	173.79	134.58	131.66	239	-2.17	3.44
US -- United States of America	89.38	109.66	110.50	153	0.76	2.88
SE -- Sweden	68.47	88.09	91.21	137	3.55	2.38
PL -- Poland	78.68	87.60	89.73	235	2.43	2.34
BE -- Belgium	67.02	70.01	78.82	212	12.59	2.06
ZA -- South Africa	62.33	82.01	70.83	33	-13.63	1.85
LY -- Libya	2.50	41.48	70.49	37	69.95	1.84
DK -- Denmark	47.24	52.62	60.45	144	14.89	1.58
DZ -- Algeria	21.25	44.97	60.34	56	34.16	1.58
CH -- Switzerland	35.82	37.48	48.53	212	29.48	1.27
JP -- Japan	39.54	36.03	46.85	90	30.04	1.22
AT -- Austria	34.40	41.32	45.09	115	9.13	1.18
SA -- Saudi Arabia	24.16	30.01	36.68	44	22.19	0.96
CZ -- Czech Republic	27.46	31.58	32.89	144	4.15	0.86
FI -- Finland	21.70	27.72	30.57	96	10.28	0.80
Subtotal	2,756.08	3,087.49	3,382.57	887	9.56	88.29
Total	3,131.15	3,647.37	3,831.00	1,174	5.03	100.00

Million €

Source: ESTACOM

The European Union is also the main purchaser of Spanish products, accounting for 76.93% of the country's international sales.

As for the rest of the world, the main destinations for the national food industry are the United States (€1.076 billion), Russia (€582 million) and Japan (€461 million).

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3. TRAINING & RESEARCH

The Region of Murcia has an advanced agrofood innovation system supporting and responding to the research needs of sector firms. In this sense, a key role is played by IMIDA (Murcia Institute for Agricultural and Food Research and Development), agency of the Regional Ministry of Agriculture and Water, CEBAS-CSIC (Murcia's Edaphology and Applied Biology Center), the Food and Canning Technology Center and the Plastics Technology Center.

There are also two public universities (University of Murcia and Polytechnic University of Cartagena) undertaking sectoral research projects managed through ILOs (Industrial Liaison Offices) and one private (Universidad Católica – UCAM-).

University training for Murcia Region industry professionals also includes intermediate cycles delivered at CIFEA (Integrated Farming Experience and Training Centers) in the towns of Molina de Segura, Jumilla, Lorca and Torre Pacheco. CIFEA is an agency of the Regional Ministry of Agriculture and Water.

The sector's leadership in improvement of product quality and implementation of new management systems, has positioned Murcian agrofood firms as national references in quality certificates (ISO 9000, Good Farming Practices), food safety (HACCP...) and environmental practices (ISO 14000, EMAS...) that comply with protocols for good agricultural practices developed by key European markets (*EUREPGAP, BRC*, etc.).

It is also worth mentioning the support of the Administration to the development of more sustainable production systems, the promotion of enhanced systems and brands (Integrated Production, Organic Farming and *LessCO2*) and the establishment of Protected Designations of Origin for unique, genuine products such as rice, paprika, cheese, wine and melon, among others.



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Further information

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